



**Zululand District Municipality
Annual Financial Statements
for the year ended 30 June 2019**

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Nature of business and principal activities

Water provision as per Water services Act and Schedule B of Municipal Structures Act

Mayoral committee

Mayor

Cllr Buthelezi TD

Speaker

Cllr BJ Mncwango (Replace Cllr SE Nkwanyana: 28 February 2019)

Deputy Mayor

Cllr Kunene MM

Member of the Executive Committee

Cllr Nkwanyana SE (Replace Cllr BJ Mncwango: 28 February 2019)

Member of the Executive Committee

Cllr Nkosi IS

Member of the Executive Committee

Cllr Nkosi SR

Member of the Executive Committee

Cllr Qwabe SE

Other Councillors

Member

Cllr Mncwango AM

Member

Cllr Buthelezi SN

Member

Cllr Buthelezi Z

Member

Cllr Khumalo ME

Member

Cllr Mashabane SP

Member

Cllr Mavuso NP

Member

Cllr Mazibuko MA

Member

Cllr Mbatha SM

Member

Cllr Mhungu MM

Member

Cllr Mkhize TK

Member

Cllr Mkhwanazi SB

Member

Cllr Mncwango SA

Member

Cllr Mthethwa JB

Member

Cllr Ndlela NP

Member

Cllr Ndlovu TD

Member

Cllr Nsele TJ

Member

Cllr Nxumalo NE

Member

Cllr Shabalala B

Member

Cllr Sibiya HZ

Member

Cllr Sikhakhane MZ

Member

Cllr Sithole ZN

Member

Cllr Siyaya SS

Member

Cllr Siyaya Z

Member

Cllr Tembe NH

Member

Cllr Victor M

Member

Cllr Ximba SP

Member

Cllr Zulu RM

Member

Cllr Zulu MMM

Member

Cllr Zungu JZ

Grading of local authority

Grade 4, category 3 in terms of upper limit of office bearers

Jurisdiction

DC 26 as per the Demarcation Board

Senior Management

Chief Financial Officer - Mr RN Hlongwa

HOD: Corporate Services - Mr P M Manqele

HOD: Community Services - Mr S Mosia

HOD: Planning - Mr B Mnguni

HOD: Technical Services - Mr S Ngcobo

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

| | |
|---------------------------|---|
| Accounting Officer | MR Z.W. Mcineka |
| Registered office | B-400 GAGANE STREET ULUNDI 3838 |
| Business address | B-400 GAGANE STREET ULUNDI SOUTH AFRICA 3838 |
| Postal address | PRIVATE BAG X76 ULUNDI 3838 |
| Bankers | ABSA Bank Limited |
| Auditors | Auditor-General South Africa |
| Attorneys | Stowell & Co Inc |
| Telephone: | 035 874 5500 |
| Fax number: | 035 874 5589/91 |
| Email address: | mm@zululand.org.za |

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| | |
|---------|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IFRS | International Financial Reporting Standards |
| CIGFARO | Chartered institute of Government Finance, Auditing and Risk Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| ASB | Accounting Standards Board. |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The management has concluded that the financial statements present fairly the municipality's financial position, financial performance and the cash flows.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 76, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

MR Z.W. Mcineka
Accounting Officer

31 August 2019

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

| | Note(s) | 2019 R | 2018 Restated* R |
|--|---------|----------------------|------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 12 478 331 | 13 201 448 |
| Trade receivables from exchange transactions | 4 | 17 601 411 | 13 824 715 |
| Other receivables from exchange transactions | 5 | 2 092 604 | 1 595 713 |
| Receivables from non-exchange transactions | 6 | 5 779 772 | 6 264 786 |
| Other receivables from non-exchange transactions | 7 | 1 152 606 | 1 790 512 |
| VAT receivable | 8 | 13 792 097 | 20 029 281 |
| Inventories | 9 | 2 509 183 | 3 132 284 |
| | | 55 406 004 | 59 838 739 |
| Non-Current Assets | | | |
| Property, plant and equipment | 10 | 3 583 478 953 | 3 265 892 905 |
| Heritage assets | 11 | 1 212 635 | 1 212 635 |
| Intangible assets | 12 | 34 244 | 171 191 |
| Other receivables from exchange transactions | 5 | 14 644 481 | 12 438 779 |
| | | 3 599 370 313 | 3 279 715 510 |
| Total Assets | | 3 654 776 317 | 3 339 554 249 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 13 | 184 015 278 | 158 955 989 |
| Consumer deposits | 14 | 3 617 293 | 3 627 105 |
| Provisions | 15 | 13 152 807 | 11 800 076 |
| Payable from non - exchange | 16 | 81 872 | 94 159 |
| Unspent conditional grants and receipts | 17 | - | 552 951 |
| | | 200 867 250 | 175 030 280 |
| Non-Current Liabilities | | | |
| Rental deposits held | 18 | 2 420 | 2 420 |
| Payables from exchange transactions | 19 | 34 512 708 | 42 912 708 |
| Employee benefit obligation | 20 | 37 224 000 | 32 512 000 |
| | | 71 739 128 | 75 427 128 |
| Total Liabilities | | 272 606 378 | 250 457 408 |
| Net Assets | | 3 382 169 939 | 3 089 096 841 |
| Accumulated surplus | 21 | 3 382 169 932 | 3 089 096 851 |

* See Note 60

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

| | Note(s) | 2019 R | 2018 Restated* R |
|---|---------|----------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 22 | 33 512 747 | 27 148 111 |
| Rental of facilities and equipment | 23 | 155 504 | 144 952 |
| Other income | 24 | 1 718 201 | 1 853 344 |
| Interest received - investment | 25 | 7 802 779 | 9 472 244 |
| Total revenue from exchange transactions | | 43 189 231 | 38 618 651 |
| Revenue from non-exchange transactions | | | |
| Interest revenue | | | |
| Interest, Dividends and Rent on Land | 26 | 40 391 | 94 501 |
| Transfer revenue | | | |
| Government grants & subsidies | 27 | 876 889 951 | 862 569 049 |
| Fines and penalties | 28 | 12 167 | 8 873 |
| Total revenue from non-exchange transactions | | 876 942 509 | 862 672 423 |
| Total revenue | | 920 131 740 | 901 291 074 |
| Expenditure | | | |
| Employee related costs | 30 | (198 359 174) | (177 209 749) |
| Remuneration of councillors | 31 | (8 088 737) | (7 715 207) |
| Employee benefit | 20 | (4 712 000) | (3 609 000) |
| Depreciation and amortisation | 32 | (63 493 021) | (57 372 054) |
| Lease rentals on operating lease | 33 | (1 474 565) | (1 329 064) |
| Debt Impairment | 34 | (14 788 995) | (12 185 740) |
| Collection costs | 35 | (836 804) | (858 484) |
| Bulk purchases | 36 | (99 201 381) | (131 389 903) |
| Contracted services | 37 | (165 251 079) | (174 308 153) |
| Transfers and Subsidies | 38 | (1 171 683) | (2 938 588) |
| Sale of goods/Inventory | 39 | (12 016 154) | (29 846 994) |
| General Expenses | 40 | (57 665 055) | (52 030 919) |
| Total expenditure | | (627 058 648) | (650 793 855) |
| Operating surplus | | 293 073 092 | 250 497 219 |
| Loss on donated assets | | - | (3 996 288) |
| Proceeds from Insurance claims | | - | 753 278 |
| Inventories losses/write-downs | | - | (1 353 515) |
| | | - | (4 596 525) |
| Surplus for the year | | 293 073 092 | 245 900 694 |

* See Note 60

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

| | Accumulated surplus R | Total net assets R |
|--|-----------------------------|--------------------------|
| Balance at 01 July 2017 | 2 843 196 157 | 2 843 196 157 |
| Changes in net assets | | |
| Surplus for the year | 245 900 694 | 245 900 694 |
| Total changes | 245 900 694 | 245 900 694 |
| Restated* Balance at 01 July 2018 | 3 089 096 840 | 3 089 096 840 |
| Changes in net assets | | |
| Surplus for the year | 293 073 092 | 293 073 092 |
| Total changes | 293 073 092 | 293 073 092 |
| Balance at 30 June 2019 | 3 382 169 932 | 3 382 169 932 |
| Note(s) | | |

* See Note 60

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

| | Note(s) | 2019 R | 2018 Restated* R |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Sale of goods and services | | 20 099 525 | 27 148 111 |
| Grants | | 876 889 951 | 862 569 049 |
| Rental Income | | 155 504 | 144 952 |
| Other Income | | 1 718 201 | 1 853 344 |
| Interest on service charges | | 40 391 | 94 501 |
| Interest income | | 7 802 779 | 9 472 244 |
| Fines and penalties | | 12 167 | 8 873 |
| | | <u>906 718 518</u> | <u>901 291 074</u> |
| Payments | | | |
| Employee costs | | (203 156 333) | (184 924 956) |
| Suppliers | | (314 943 186) | (325 202 722) |
| | | <u>(518 099 519)</u> | <u>(510 127 678)</u> |
| Net cash flows from operating activities | 46 | <u>388 618 999</u> | <u>391 163 396</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | (380 942 122) | (386 507 450) |
| Proceeds from sale of property, plant and equipment | 10 | - | 4 001 696 |
| Proceeds from insurance claim | | - | 753 278 |
| Net cash flows from investing activities | | <u>(380 942 122)</u> | <u>(381 752 476)</u> |
| Cash flows from financing activities | | | |
| Movement in payables from exchange transactions | | (8 400 000) | - |
| Net increase/(decrease) in cash and cash equivalents | | <u>(723 123)</u> | <u>5 765 092</u> |
| Cash and cash equivalents at the beginning of the year | | 13 201 448 | 7 436 356 |
| Cash and cash equivalents at the end of the year | 3 | <u>12 478 325</u> | <u>13 201 448</u> |

* See Note 60

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|----------------------|---|--------------------------------|---|--|----------------------|----------------------|-----------------------------|----------------------|---|--|
| | R | R | R | R | R | R | R | R | R | | |
| 2019 | | | | | | | | | | | |
| Financial Performance | | | | | | | | | | | |
| Service charges | 24 764 882 | 19 800 000 | 44 564 882 | - | | 44 564 882 | 33 512 747 | | (11 052 135) | 75 % | 135 % |
| Investment revenue | 6 995 800 | 3 000 000 | 9 995 800 | - | | 9 995 800 | 7 802 779 | | (2 193 021) | 78 % | 112 % |
| Transfers recognised - operational | 434 585 000 | - | 434 585 000 | - | | 434 585 000 | 434 437 951 | | (147 049) | 100 % | 100 % |
| Other own revenue | 96 327 527 | 557 896 | 96 885 423 | - | | 96 885 423 | 1 926 263 | | (94 959 160) | 2 % | 2 % |
| Total revenue (excluding capital transfers and contributions) | 562 673 209 | 23 357 896 | 586 031 105 | - | | 586 031 105 | 477 679 740 | | (108 351 365) | 82 % | 85 % |
| Employee costs | (182 249 923) | (7 850 000) | (190 099 923) | - | - | (190 099 923) | (198 359 174) | - | (8 259 251) | 104 % | 109 % |
| Remuneration of councillors | (7 722 415) | (500 000) | (8 222 415) | - | - | (8 222 415) | (8 088 737) | - | 133 678 | 98 % | 105 % |
| Debt impairment | (7 768 939) | - | (7 768 939) | | | (7 768 939) | (14 788 995) | - | (7 020 056) | 190 % | 190 % |
| Depreciation and asset impairment | (83 194 238) | 16 791 296 | (66 402 942) | | | (66 402 942) | (63 493 021) | - | 2 909 921 | 96 % | 76 % |
| Materials and bulk purchases | (83 431 481) | (14 908 209) | (98 339 690) | - | - | (98 339 690) | (99 201 381) | - | (861 691) | 101 % | 119 % |
| Transfers and grants | (2 150 000) | 484 049 | (1 665 951) | - | - | (1 665 951) | (1 171 683) | - | 494 268 | 70 % | 54 % |
| Other expenditure | (257 666 789) | 24 440 428 | (233 226 361) | - | - | (233 226 361) | (241 955 657) | - | (8 729 296) | 104 % | 94 % |
| Total expenditure | (624 183 785) | 18 457 564 | (605 726 221) | - | - | (605 726 221) | (627 058 648) | - | (21 332 427) | 104 % | 100 % |
| Surplus/(Deficit) | (61 510 576) | 41 815 460 | (19 695 116) | - | | (19 695 116) | (149 378 908) | | (129 683 792) | 758 % | 243 % |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------------|---|--|--------------------|--------------------|-----------------------------|----------------------|---|--|
| | R | R | R | R | R | R | R | R | R | | |
| Transfers recognised - capital | 469 624 000 | - | 469 624 000 | - | | 469 624 000 | 442 452 000 | | (27 172 000) | 94 % | 94 % |
| Surplus (Deficit) after capital transfers and contributions | 408 113 424 | 41 815 460 | 449 928 884 | - | | 449 928 884 | 293 073 092 | | (156 855 792) | 65 % | 72 % |
| Surplus/(Deficit) for the year | 408 113 424 | 41 815 460 | 449 928 884 | - | | 449 928 884 | 293 073 092 | | (156 855 792) | 65 % | 72 % |
| Capital expenditure and funds sources | | | | | | | | | | | |
| Total capital expenditure | 408 113 412 | 41 815 473 | 449 928 885 | - | | 449 928 885 | 380 942 122 | | (68 986 763) | 85 % | 93 % |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|--|--------------------|---|--------------------------------|---|--|--------------|-------------------|-----------------------------|---------------------|---|--|
| | R | R | R | R | R | R | R | R | R | | |
| Cash flows | | | | | | | | | | | |
| Net cash from (used) operating | - | - | - | - | | - | 388 618 999 | | 388 618 999 | DIV/0 % | DIV/0 % |
| Net cash from (used) investing | - | - | - | - | | - | (380 942 122) | | (380 942 122) | DIV/0 % | DIV/0 % |
| Net cash from (used) financing | - | - | - | - | | - | (8 400 000) | | (8 400 000) | DIV/0 % | DIV/0 % |
| Net increase/(decrease) in cash and cash equivalents | - | - | - | - | | - | (723 123) | | (723 123) | DIV/0 % | DIV/0 % |
| Cash and cash equivalents at the beginning of the year | - | - | - | - | | - | 13 201 448 | | 13 201 448 | DIV/0 % | DIV/0 % |
| Cash and cash equivalents at year end | - | - | - | - | | - | 12 478 325 | | (12 478 325) | DIV/0 % | DIV/0 % |

The budget variances are explained in note 52

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded to the nearest Rand.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

In assessing the recoverability of trade receivables the assumption is that all organisations are excluded from the calculation. The remainder of accounts representing residential accounts are assessed as per their payment record. Those that have not been available to pay for the account in a more than twelve months are then provided for doubtful debt.

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the indigent assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Contingent provisions on entity combinations

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The assessment is done as per note 50.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The standards, amendments to standards and interpretations in note 2 have been issued but are not yet effective and have not been early adopted by the municipality:

The presentation and classification of items in the current year is consistent with prior periods.

1.5 Property, plant and equipment

Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The major components are depreciated separately over their useful lives.

Where an asset is acquired by the municipality for no consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation on new acquisitions is charged to the statement of financial performance in the financial year in which the asset is available for use after taking into account the assets' residual value where applicable.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---------------------------|---------------------|---------------------|
| Infrastructure | Straight line | |
| • Water | | 7-70 years |
| • Sewerage | | 7-70 years |
| Community | Straight line | |
| • Buildings | | 15-70 years |
| • Recreational Facilities | | 15-70 years |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

| | | |
|-------------------------------------|---------------|-------------|
| Other property, plant and equipment | Straight line | |
| • Buildings | | 10-50 years |
| • Specialist vehicles | | 4-15 years |
| • Other vehicles | | 4-15 years |
| • Office equipment | | 3-25 years |
| • Furniture and fittings | | 3-5 years |
| • Emergency equipment | | 10-30 years |
| • Computer equipment | | 3-11 years |
| Finance leased assets | Straight line | |
| • Office equipment | | 5 years |

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

The residual value, the useful life of an asset and the depreciation method is reviewed annually and adjusted where necessary. Any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

Land is not depreciated as it is deemed to have an indefinite life.

Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.6 Heritage assets

Initial recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held and preserved indefinitely for the benefit of present and future generations. A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.6 Heritage assets (continued)

Measurement at recognition

Heritage asset is initially measured at cost at the date of acquisition or in the case where a heritage asset is acquired through a non-exchange transaction (i.e. donation or grant) at deemed cost, being the fair value of the asset at acquisition date.

The cost of a heritage asset is a purchase price and other costs directly attributable to bring the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes attributable costs of dismantling and removing the asset and restoring the site on which the asset is located.

Where there is no evidence to determine the market value of an item of heritage asset in an active market, a valuation technique is used to determine the fair value.

Subsequent measurement

The municipality uses either cost model or revaluation model to value each class of heritage asset. Subsequent expenditure relating to heritage assets is capitalised if that expenditure meets all the requirement of heritage asset and can be measured reliable. Subsequent expenditure is only capitalised when that expenditure increases the level of benefit from present and future generation.

If the municipality re-values heritage asset, the entire class of heritage assets to which that asset belongs is re-valued. The surplus or deficit realised during revaluation is either credited or debited against the revaluation surplus account.

Heritage assets are not depreciated; however the municipality assesses impairment to all heritage assets at each reporting date.

Derecognition

The carrying amount of an item of heritage asset is de-recognised on disposal or when no future economic benefit or service potential or for the benefit of present and future generations.

The gains or losses derived from de-recognition is recognised in the surplus or deficit when the heritage asset is de-recognised.

Gains and losses are determined as the difference between the carrying amount (cost less accumulated impairment losses) and the disposal proceeds and included in the Statement of Financial Performance.

1.7 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

Accounting Policies

1.7 Intangible assets (continued)

Any increase in the carrying amount of an intangible asset, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in the carrying amount of an intangible asset, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight line | 5-7 years |

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Zululand District Municipality

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Accounting Policies

1.8 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Subsequent measurement

Inventories, consisting of consumable stores and materials, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.9 Financial instruments

Initial recognition

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value.

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Classification

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Class

Cash at bank
Account receivables and payables

Category

Financial asset measured at fair value
Financial asset measured at amortised cost

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP 104 Standard on Financial Instruments, is in accordance with IAS 39.

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

Impairment and uncollectibility of financial assets

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

1.10 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Zululand District Municipality

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Accounting Policies

1.11 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.12 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Leases

Operating leases - lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.17 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Accounting Policies

1.17 Provisions and contingencies (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

1.18 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved by the council and are levied monthly.

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly by the system if the reading was not obtained. The provisional estimates of consumption are recognised as revenue when invoiced. The system automatically reverse the provisional readings, when the reading has been captured on the system.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

1.19 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines constitute both spot fines in the form of meter tampering fines. Fines are recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.20 Grants, transfer and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset or expense is recognised.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.21 Borrowing costs

Borrowing cost are recognised as an expense in Statement of Financial Performance in the period they become due and payable.

1.22 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Pension obligations

The Municipality's personnel are members of either the Government Employees Pension Fund (GEPF) or one of the Natal Joint Municipal Pension (NJMPF) retirement funds, namely the Superannuation, Retirement and Provident Funds. Except for the NJMPF Provident fund, the aforementioned funds are defined benefit funds. As these defined benefit funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific employer and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution funds.

Municipal Councillors

Councillors belong to the Councillors Pension Fund which is a defined contribution fund and employers have no legal or constructive obligation for any shortfalls in valuation of the fund.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits for current employees of the municipality. According to the municipality, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Employee benefits (continued)

Past-service costs are recognised immediately in the Statement of Financial Performance.

1.23 VAT

VAT is accounted for on the payment basis i.e. VAT is paid over to SARS only once payment is received from debtors and/ or when actual payment is made to creditors.

1.24 Budget information

The approved budget covers the financial period from 01 Jul 2018 to 30 Jun 2019.

The annual budget figures have been prepared in accordance with the GRAP 24. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts.

Explanatory comments on material differences are provided in a separate budget statement in the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The changes between the approved and final budget are a consequence of reallocations within the approved budget by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan.

The budget is approved on an accrual basis by nature classification. The approved budget covers the reporting period from 1 July 2018 to 30 June 2019.

1.25 Commitments

Most of infrastructure projects are multi-year projects that requires budget funding over certain period of years. At year-end reporting date some funds are committed and contract signed with various contractors to carry out construction of infrastructure projects. Some funds are committed but not yet contracted for. Commitments are disclosed inclusive of VAT.

1.26 Non-cash-generating assets

The municipality holds Non-Cash-Generating Assets that are used for service delivery purposes. All assets that are used for service delivery purposes are categorised as Non-cash-generating assets. GRAP 21 is used to determine impairment of Non-Cash-Generating assets. Impairment loss is the amount the carrying value exceeds recoverable service amount of an asset. Impairment is assessed annually during year-end reporting. Impairment loss is recognised to the Statement of Financial Performance. Reversal of the impairment loss affects surplus or deficit for that reporting period.

1.27 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.27 Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-----------|-----------|
|--|-----------|-----------|

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is not material.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the directive is for years beginning on or after 01 April 2018.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has adopted the directive for the first time in the 2018/2019 annual financial statements.

The impact of the directive is not material.

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality has early adopted the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of the standard is not material.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has early adopted the standard for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has early adopted the standard for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality has early adopted the standard for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality has early adopted the standard for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality has early adopted the interpretation for the first time in the 2018/2019 annual financial statements.

The impact of the standard is not material.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality has early adopted the standard for the first time in the 2019/2019 annual financial statements.

The impact of the standard is not material.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has early adopted the standard for the first time in the 2019/2019 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has early adopted the standard for the first time in the 2019/2019 annual financial statements.

The impact of the standard is not material.

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the standard is for years beginning on or after 01 April 2019.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality has early adopted the standard for the first time in the 2019/2019 annual financial statements.

The impact of the standard is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has early adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has early adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is not material.

IGRAP 11: Consolidation – Special purpose entities

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

The municipality has early adopted the interpretation for the first time in the 2019/2019 annual financial statements.

The impact of the interpretation is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality has early adopted the interpretation for the first time in the 2019/2019 annual financial statements.

The impact of the interpretation is not material.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has early adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

The impact of the interpretation is not material.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|--------------|-------------------|-------------------|
| Cash on hand | 6 000 | 6 000 |
| Cash at bank | 12 472 331 | 13 195 448 |
| | 12 478 331 | 13 201 448 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|--------------|--------------|--------------------|--------------|--------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
| ABSA BANK - Primary bank account - 4047162045 | 12 744 698 | 15 248 171 | 20 808 573 | 12 472 331 | 13 195 448 | 7 430 356 |

4. Trade receivable from exchange transaction

Gross balances

| | | |
|-------------|--------------------|-------------------|
| Water | 84 077 020 | 69 986 812 |
| Waste water | 28 996 952 | 24 644 640 |
| Other | 192 118 | 112 089 |
| | 113 266 090 | 94 743 541 |

Less: Allowance for impairment

| | | |
|-------------|---------------------|---------------------|
| Water | (70 640 548) | (59 508 508) |
| Waste water | (25 024 131) | (21 383 014) |
| | (95 664 679) | (80 891 522) |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-------------------|-------------------|
| 4. Trade receivable from exchange transaction (continued) | | |
| Net balance | | |
| Water | 13 436 472 | 12 725 695 |
| Waste water | 3 972 821 | 986 931 |
| Other | 192 118 | 112 089 |
| | 17 601 411 | 13 824 715 |
| Water | | |
| Current (0 -30 days) | 4 947 710 | 13 901 293 |
| 31 - 60 days | 1 548 693 | 1 277 748 |
| 61 - 90 days | 2 385 604 | 1 063 191 |
| 91 - 120 days | 2 173 674 | 1 224 413 |
| 121 - 365 days | 12 817 098 | 7 493 256 |
| > 365 days | 60 204 241 | 47 274 302 |
| | (70 640 548) | (59 508 508) |
| | 13 436 472 | 12 725 695 |
| Waste water | | |
| Current (0 -30 days) | 1 540 449 | 1 844 806 |
| 31 - 60 days | 664 831 | 143 802 |
| 61 - 90 days | 714 663 | 440 183 |
| 91 - 120 days | 590 513 | 1 486 769 |
| 121 - 365 days | 3 830 078 | 2 644 420 |
| > 365 days | 21 656 418 | 15 809 965 |
| | (25 024 131) | (21 383 014) |
| | 3 972 821 | 986 931 |
| Other (specify) | | |
| Current (0 -30 days) | 2 690 | 16 862 |
| 31 - 60 days | - | 8 770 |
| 61 - 90 days | - | 8 079 |
| 91 - 120 days | 335 | 7 913 |
| 121 - 365 days | 50 998 | 82 513 |
| > 365 days | 138 095 | 151 517 |
| | - | (163 565) |
| | 192 118 | 112 089 |
| Summary of debtors by customer classification | | |
| Consumers | | |
| Current (0 -30 days) | 4 009 276 | 2 970 056 |
| 31 - 60 days | 1 303 545 | 842 060 |
| 61 - 90 days | 1 715 875 | 1 089 417 |
| 91 - 120 days | 1 991 702 | 1 144 243 |
| 121 - 365 days | 13 879 443 | 8 471 568 |
| > 365 days | 78 463 697 | 56 758 699 |
| | 101 363 538 | 71 276 043 |
| | (95 668 042) | (71 276 043) |
| Less: Allowance for impairment | 5 695 496 | - |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|---------------------|---------------------|
| 4. Trade receivable from exchange transaction (continued) | | |
| Industrial/ commercial | | |
| Current (0 -30 days) | 526 011 | 528 443 |
| 31 - 60 days | 157 910 | 149 633 |
| 61 - 90 days | 175 314 | 86 617 |
| 91 - 120 days | 108 434 | 64 382 |
| 121 - 365 days | 1 274 861 | 404 934 |
| > 365 days | 1 854 308 | 1 095 893 |
| | 4 096 838 | 2 329 902 |
| National and provincial government | | |
| Current (0 -30 days) | 1 955 560 | 264 110 |
| 31 - 60 days | 752 069 | 438 627 |
| 61 - 90 days | 1 209 079 | 335 419 |
| 91 - 120 days | 664 386 | 427 340 |
| 121 - 365 days | 1 543 870 | 1 343 687 |
| > 365 days | 1 680 750 | 1 000 176 |
| | 7 805 714 | 3 809 359 |
| Total | | |
| Current (0 -30 days) | 6 494 212 | 5 762 961 |
| 31 - 60 days | 2 213 524 | 1 430 320 |
| 61 - 90 days | 3 100 267 | 1 511 452 |
| 91 - 120 days | 2 764 521 | 1 635 965 |
| 121 - 365 days | 16 698 174 | 10 220 189 |
| > 365 days | 81 998 755 | 74 155 351 |
| | 113 269 453 | 94 716 238 |
| Less: Allowance for impairment | (95 668 042) | (80 891 523) |
| | 17 601 411 | 13 824 715 |
| Less: Allowance for impairment | | |
| Current (0 -30 days) | (2 944 813) | (2 970 056) |
| 31 - 60 days | (952 253) | (864 060) |
| 61 - 90 days | (1 474 904) | (1 067 417) |
| 91 - 120 days | (1 781 871) | (1 144 243) |
| 121 - 365 days | (12 384 020) | (8 471 568) |
| > 365 days | (76 126 818) | (66 403 421) |
| | (95 664 679) | (80 891 522) |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (80 920 765) | (68 705 783) |
| Contributions to allowance | (14 747 277) | (12 185 740) |
| Debt impairment written off against allowance | - | (27 303) |
| | (95 668 042) | (80 918 826) |

Debt impairment is only calculated on service debtors for exchange transactions

Consumer debtors pledged as security

Consumer deposits as reflected under note 14 are held as security for consumer debtors.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-------------------|-------------------|
| 5. Other receivables from exchange transactions | | |
| Debtors: Deposits Held | 14 644 481 | 12 438 779 |
| Debtor: Aqua Transport and Plants | 1 161 352 | 1 161 352 |
| Debtor: Tracker | 134 248 | 134 248 |
| Debtor: KZN Aviation | 1 950 | 1 950 |
| Debtor: World Focus | 284 241 | 284 241 |
| Debtor: Avis | 3 487 | 3 487 |
| Other debtors | 507 326 | 10 435 |
| | 16 737 085 | 14 034 492 |
| Non-current assets | 14 644 481 | 12 438 779 |
| Current assets | 2 092 604 | 1 595 713 |
| | 16 737 085 | 14 034 492 |

No security is held against any financial assets under the receivables from other exchange transactions.

Debtors: Deposits held includes deposits held by various companies as per agreement (i.e. Federal Air, Eskom, Property No 165 President (Vryheid), BP Drakensburg and Imbali Elegance Tourism).

6. Receivables from non-exchange transactions

| | | |
|------------------------------|------------------|------------------|
| Debtor: JB Dlamini | 18 440 | 18 440 |
| Debtor: Insurance Claim | 80 488 | 80 488 |
| Debtor: eDumbe Municipality | 369 621 | 369 621 |
| Debtor: Nongoma Municipality | 304 255 | 304 255 |
| Debtor: Water Affairs | 2 717 840 | 2 717 840 |
| Debtor: Other | 1 950 | 560 584 |
| Debtor: Enduneni contractors | 855 190 | 855 190 |
| Debtor: Amanzi ichweba | 1 431 988 | 1 358 368 |
| | 5 779 772 | 6 264 786 |

There are no receivables from non exchange transactions that are subject to restrictions.

No security is held against any financial assets under the receivables from non exchange transactions.

7. Other receivables from non-exchange transactions

| | | |
|--|-----------|-----------|
| Other receivables from non-exchange transactions | 1 152 606 | 1 790 512 |
|--|-----------|-----------|

Overpayments on Eskom Accounts as at 30 June 2019

8. VAT receivable

| | | |
|------------|-------------------|-------------------|
| VAT Output | (1 485 973) | 92 285 205 |
| VAT Input | 15 278 070 | (72 255 924) |
| | 13 792 097 | 20 029 281 |

The amount represent the invoices paid towards year end creditors

The municipality is on the payment basis

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--------------------------|------------------|------------------|
| 9. Inventories | | |
| Consumable stores | 2 440 791 | 3 063 892 |
| Fuel (Diesel, Petrol) | 68 392 | 68 392 |
| | 2 509 183 | 3 132 284 |
| Consumable stores | | |
| At cost | 3 063 892 | 3 17 867 |
| Additions | 997 036 | 4 099 540 |
| Issued/(expensed) | (1 620 137) | (1 353 515) |
| | 2 440 791 | 3 063 892 |
| Fuel | | |
| At cost | 68 392 | 104 097 |
| Issued/(expensed) | - | (35 705) |
| | 68 392 | 68 392 |

Inventory pledged as security

There was no inventory pledged for as security for any overdraft facility.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

| | 2019 | | | 2018 | | |
|-------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 470 000 | - | 470 000 | 470 000 | - | 470 000 |
| Buildings | 45 445 591 | (16 064 578) | 29 381 013 | 44 187 001 | (13 548 683) | 30 638 318 |
| Infrastructure | 2 625 303 707 | (438 757 953) | 2 186 545 754 | 2 275 400 317 | (379 760 788) | 1 895 639 529 |
| Community | 9 981 920 | (3 164 342) | 6 817 578 | 9 411 903 | (2 368 328) | 7 043 575 |
| Other property, plant and equipment | 66 140 871 | (47 300 131) | 18 840 740 | 64 454 276 | (46 122 112) | 18 332 164 |
| Capital work in Progress | 1 341 423 868 | - | 1 341 423 868 | 1 313 769 319 | - | 1 313 769 319 |
| Total | 4 088 765 957 | (505 287 004) | 3 583 478 953 | 3 707 692 816 | (441 799 911) | 3 265 892 905 |

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Transfers received | Transfers | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|-----------------------|----------------------|---------------------|----------------------|
| Land | 470 000 | - | - | - | - | 470 000 |
| Buildings | 30 638 318 | - | - | - | (1 257 305) | 29 381 013 |
| Infrastructure | 1 895 639 529 | 374 312 777 | 346 658 230 | (374 312 777) | (55 752 005) | 2 186 545 754 |
| Community | 7 043 575 | - | - | - | (225 997) | 6 817 578 |
| Other property, plant and equipment | 18 332 164 | 6 629 345 | - | - | (6 120 769) | 18 840 740 |
| Capital work in Progress | 1 313 769 319 | - | 374 312 777 | (346 658 228) | - | 1 341 423 868 |
| | 3 265 892 905 | 380 942 122 | 720 971 007 | (720 971 005) | (63 356 076) | 3 583 478 953 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Transfers received | Transfers | Other changes, movements | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|--------------------|--------------------|----------------------|--------------------------|---------------------|----------------------|
| Land | 470 000 | - | - | - | - | - | - | 470 000 |
| Buildings | 31 896 907 | - | - | - | - | - | (1 258 589) | 30 638 318 |
| Infrastructure | 1 819 586 102 | 5 410 | - | 126 442 208 | - | 283 128 | (50 677 319) | 1 895 639 529 |
| Community | 11 038 574 | - | (3 645 833) | - | - | 14 385 | (363 551) | 7 043 575 |
| Other property, plant and equipment | 17 193 256 | 4 388 478 | (355 863) | 530 457 | - | 1 525 632 | (4 949 796) | 18 332 164 |
| Capital work in Progress | 1 058 097 964 | 382 113 562 | - | - | (126 442 207) | - | - | 1 313 769 319 |
| | 2 938 282 803 | 386 507 450 | (4 001 696) | 126 972 665 | (126 442 207) | 1 823 145 | (57 249 255) | 3 265 892 905 |

Pledged as security

Carrying value of assets pledged as security:

Reconciliation of Work-in-Progress 2019

| | Included within Infrastructure | Total |
|--------------------------------|--------------------------------|----------------------|
| Opening balance | 1 313 769 319 | 1 313 769 319 |
| Additions/capital expenditure | 374 312 777 | 374 312 777 |
| Transferred to completed items | (346 658 232) | (346 658 232) |
| | 1 341 423 864 | 1 341 423 864 |

Reconciliation of Work-in-Progress 2018

| | Included within Infrastructure | Total |
|--------------------------------|--------------------------------|--------------------|
| Opening balance | 1 058 097 964 | 382 113 562 |
| Additions/capital expenditure | 382 113 562 | (126 442 204) |
| Transferred to completed items | (126 442 204) | (126 442 204) |
| | 1 313 769 322 | 129 229 154 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-----------|-----------|
|--|-----------|-----------|

10. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Heritage assets

| | 2019 | | | 2018 | | |
|------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Work in Progress | 1 212 635 | - | 1 212 635 | 1 212 635 | - | 1 212 635 |

Reconciliation of heritage assets 2019

| | Opening balance | Total |
|------------------|--------------------|-----------|
| Work in Progress | 1 212 635 | 1 212 635 |

Reconciliation of heritage assets 2018

| | Opening balance | Total |
|------------------|--------------------|-----------|
| Work in Progress | 1 212 635 | 1 212 635 |

Heritage assets in the process of being constructed or developed

Carrying value of Heritage assets where construction or development has been halted either during the current or previous reporting period(s)

| | | |
|--|------------------|------------------|
| | 1 212 635 | 1 212 635 |
| | 1 212 635 | 1 212 635 |

The Municipality is yet to confirm the location where the stature will be located.

12. Intangible assets

| | 2019 | | | 2018 | | |
|-------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 231 419 | (197 175) | 34 244 | 887 713 | (716 522) | 171 191 |

Reconciliation of intangible assets - 2019

| | Opening balance | Amortisation | Total |
|-------------------|--------------------|--------------|--------|
| Computer software | 171 191 | (136 947) | 34 244 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-----------|-----------|
|--|-----------|-----------|

12. Intangible assets (continued)

Reconciliation of intangible assets - 2018

| | Opening balance | Amortisation | Total |
|-------------------|--------------------|--------------|---------|
| Computer software | 293 990 | (122 799) | 171 191 |

13. Payables from exchange transactions

| | | |
|--|--------------------|--------------------|
| Creditors | 86 617 639 | 74 663 770 |
| Unallocated deposits | 344 915 | 160 264 |
| Rental deposit: Avis | 2 682 | 2 682 |
| Rental deposit: Waphatha Group (Pty) Ltd | 2 682 | 2 682 |
| Retention Services | 52 789 550 | 41 636 688 |
| Debtors with Credit | 1 552 707 | 1 171 770 |
| Other Creditors | 2 055 185 | - |
| Suspense account | (37 707) | - |
| Water and sanitation services | 20 430 391 | 32 918 133 |
| Department of water and sanitation | 8 400 000 | 8 400 000 |
| Aqua Transport | 11 857 234 | - |
| | 184 015 278 | 158 955 989 |

14. Consumer deposits

| | | |
|-------|-----------|-----------|
| Water | 3 617 293 | 3 627 105 |
|-------|-----------|-----------|

No guaranties are held in lieu of water deposits

15. Provisions

Reconciliation of provisions - 2019

| | Opening Balance | Additions | Utilised during the year | Total |
|----------------------------|--------------------|------------------|-----------------------------|-------------------|
| Provision for Leave Payout | 8 260 429 | 4 756 104 | (3 736 551) | 9 279 982 |
| Bonus | 3 539 647 | 333 178 | - | 3 872 825 |
| | 11 800 076 | 5 089 282 | (3 736 551) | 13 152 807 |

Reconciliation of provisions - 2018

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|----------------------------|--------------------|------------------|-----------------------------|-----------------------------|-------------------|
| Provision for Leave Payout | 7 603 898 | 4 276 470 | (3 619 939) | - | 8 260 429 |
| Bonus | 6 604 246 | - | - | (3 064 599) | 3 539 647 |
| Provision for Raw Water | 12 954 290 | - | - | (12 954 290) | - |
| | 27 162 434 | 4 276 470 | (3 619 939) | (16 018 889) | 11 800 076 |

It is uncertain that the timing of the outflow will happen during the next 12 months period. The major assumption was made that all employees would have been used all their leave days within the next 12 months period and their bonuses be paid within the period as well.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|---------------|---------------|
| 16. Payable from - non-exchange | | |
| Creditor: Deceased Staff Member | 1 384 | 13 671 |
| Creditor: Deceased Staff Member | 80 488 | 80 488 |
| | 81 872 | 94 159 |
| 17. Unspent conditional grants and receipts | | |
| Unspent conditional grants and receipts comprises of: | | |
| KZN Environmental grant | - | 552 951 |
| <p>The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited.</p> <p>These amounts are invested in a ring-fenced investment until utilised.</p> | | |
| 18. Rental deposits held | | |
| Rental deposits held | 2 420 | 2 420 |
| Rental for office space, refundable upon termination of contract | | |
| 19. Payables from exchange transactions | | |
| Department of water and sanitation | 34 512 708 | 42 912 708 |

20. Employee benefit obligations

20.1 Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality operated on five accredited medical aid schemes, namely Keyhealth, LA Health, Samwumed, Fedhealth, Bonitas and Hosmed.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Independent Actuaries & Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|-------------------|-------------------|
| 20. Employee benefit obligations (continued) | | |
| 20.2 Multi-employer pension funds | | |
| The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. | | |
| All councillors belong to the pension fund for municipal councillors. | | |
| Employees belong to a variety of approved pension and provident funds. | | |
| These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes. | | |
| All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation. | | |
| Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons: | | |
| (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers. | | |
| (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer. | | |
| (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers. | | |
| It is therefore seen that each fund operates as a single entity and is not divided in sub-funds for each participating employer. | | |
| The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councilors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions. | | |
| The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed. | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Carrying value | | |
| Present value of the defined benefit obligation-partly or wholly funded | (37 224 000) | (32 512 000) |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 23 028 000 | 19 779 000 |
| Net expense recognised in the statement of financial performance | 3 322 000 | 3 249 000 |
| | 26 350 000 | 23 028 000 |
| Net expense recognised in the statement of financial performance | | |
| Current service cost | 2 090 000 | 2 088 000 |
| Interest cost | 2 381 000 | 2 115 000 |
| Actuarial (gains) losses | (925 000) | (899 000) |
| Benefits paid | (224 000) | (55 000) |
| | 3 322 000 | 3 249 000 |
| Key assumptions used | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-----------|-----------|
| 20. Employee benefit obligations (continued) | | |
| Financial variables: Two most important variables used in our valuation are discount rate and medical aid inflation rate. Nominal and real zero curve as at 29 June 2019 that was supplied by JSE to determine discount rate and CPI assumptions at each relevant time period. The average retirement age for all employees was assumed to be 63 years hence this assumption allows for ill-health and early retirements. Normal retirement age for all active employees was assumed to be 65 years. Mortality rate before retirement was based on SA 85-90 mortality tables whilst mortality post-employment (for pensioners) was based on PA (90) ultimate mortality tables. The assumption was made that the marital status for married members will remain the same until retirement and 90% of all single employees will be married at retirement with no dependent children. The female spouses were assumed to be five (5) years younger than their male spouses. | | |
| Average retirement age | 63 | 63 |
| Discount rates used | 9.74 % | 9.74 % |
| Medical cost trend rates | 8.76 % | 8.76 % |
| | 7.26 % | 7.26 % |
| | 0.90 % | 0.90 % |
| Mortality table | SA 85-90 | SA 85-90 |
| Ultimate mortality rate | PA 90-1 | PA 90-1 |
| Percentage of in-service members withdrawing before retirement | | |
| Age 20 | 16.0 % | 16.0 % |
| Age 30 | 10.0 % | 10.0 % |
| Age 40 | 6.0 % | 6.0 % |
| Age 50 | 2.0 % | 2.0 % |
| Age 55+ | 1.0 % | 1.0 % |

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from government bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate at 30 June 2019 is 8.76% which represents the average yield from zero coupon government bond curve over a 15 to 20 year term

Salary Inflation Rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement.

General Salary Inflation: This assumption is more stable relative to the growth in consumer Price Index (CPI) than in the absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The implied inflation assumption is 7.26% per annum which represents the market's pricing of inflation by comparing the yields on index linked government bonds and long term government bonds with a duration of 15 to 20 years, adjusting for an inflation risk premium of 0.5% per annum.

It has been assumed that the next salary increase will take place on 1 July 2019

The next contribution increase was assumed to occur with effect from 1 July 2020

Replacement ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|------------------------------|------------------------------|
| 20. Employee benefit obligations (continued) | | |
| Long service awards and retirement gifts | | |
| The independent valuers, Independent Actuaries and Consultants, carry out a statutory valuation on an annual basis. | | |
| The principal actuarial assumptions used were as follows: | | |
| Discount rate per annum | 8.95 % | 8.95 % |
| General salary inflation (long term) | 7.56 % | 7.56 % |
| Net effective discount rate | 1.00 % | 1.00 % |
| Examples of mortality rates used were as follows: | | |
| Average retirement age | 63 | 63 |
| Mortality during employment | | |
| Members resigned from service | | |
| | Per 1,000 members | Per 1,000 members |
| Age 20 | 160 | 160 |
| Age 25 | 120 | 120 |
| Age 30 | 100 | 100 |
| Age 35 | 80 | 80 |
| Age 40 | 60 | 60 |
| Age 45+ | 40 | 40 |
| Age 50 | 20 | 20 |
| Age 55+ | 10 | 10 |
| Membership summary | | |
| Number of members | 478 | 526 |
| Average age of members (years) | 42.7 | 42.7 |
| Average past service (years) | 11.2 | 8.6 |
| Average salary (annual) | 224 920 | 201 69 |
| Benefit Structure | | |
| Service years | Award (Number of days) | Award (Number of days) |
| 10 | 10 | 10 |
| 15 | 20 | 20 |
| 20 | 30 | 30 |
| 25 | 30 | 30 |
| 30 | 30 | 30 |
| 35 | 30 | 30 |
| 40 | 30 | 30 |
| 45 | 30 | 30 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|----------------------|----------------------|
| 20. Employee benefit obligations (continued) | | |
| Movement in the defined benefit obligation is as follows: | | |
| Balance at beginning of the year | 9 484 000 | 9 124 000 |
| Current service cost | 1 056 000 | 1 020 000 |
| Interest cost | 972 000 | 956 000 |
| Expected benefit payments | (767 000) | (447 000) |
| Recognised actuarial (gains)/losses | 129 000 | (1 169 000) |
| Balance at end of year | 10 874 000 | 9 484 000 |
| The amounts recognised in the Statement of Financial Performance were as follows: | | |
| | 1 056 000 | 1 020 000 |
| | 972 000 | 956 000 |
| | (767 000) | (447 000) |
| | 129 000 | (1 169 000) |
| | 1 390 000 | 360 000 |
| In conclusion: | | |
| Statement of Financial Position obligation for | 10 874 000 | 9 484 000 |
| Statement of Financial Performance obligation for | 1 390 000 | 360 000 |
| Key assumptions used | | |
| In estimating the liability for long service awards (LSA) a number of assumptions are required. GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary. | | |
| It should be noted that the valuation method and assumptions do not affect the ultimate cost of the LSA- this is determined by the actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time. | | |
| It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled. | | |
| Discount Rate: GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the post-employment liabilities should be used. The discount rate is 8.95% which represents the average yield from the zero coupon government bond curve over nine years which is consistent with the cash flow weighted average of the liabilities of nine years. | | |
| 21. Accumulated surplus | | |
| Ring-fenced internal funds and reserves within accumulated surplus - 2019 | | |
| | Accumulated surplus | Total |
| Opening balance | 3 089 096 844 | 3 089 096 844 |
| Surplus | 293 073 093 | 293 073 093 |
| | 3 382 169 937 | 3 382 169 937 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|-----------------------------|----------------------|
| 21. Accumulated surplus (continued) | | |
| Ring-fenced internal funds and reserves within accumulated surplus - 2018 | | |
| | Government grant reserve | Total |
| Opening balance | 2 840 907 132 | 2 840 907 132 |
| Surplus for the year | 244 727 842 | 244 727 842 |
| | 3 085 634 974 | 3 085 634 974 |
| 22. Service charges | | |
| Sale of water | 23 073 349 | 18 558 001 |
| Sewerage and sanitation charges | 10 439 398 | 8 590 110 |
| | 33 512 747 | 27 148 111 |
| 23. Rental of facilities and equipment | | |
| Facilities and equipment | | |
| Rental of facilities | 155 504 | 144 952 |
| Included in the above rentals are operating lease rental of equipment at a straight line. | | |
| 24. Other income | | |
| Marathon entry fee | - | 86 476 |
| Connections fee - Water | 184 293 | 67 012 |
| Connections fee - Sewerage | 39 490 | 10 132 |
| Skills Levy Refunds | 417 287 | 311 287 |
| Non-refundable tender deposit | 1 052 790 | 1 331 176 |
| Clearance certification | 116 | 2 478 |
| Handling fees | 18 009 | 21 542 |
| Consumer deposits forfeited | 6 216 | 23 241 |
| | 1 718 201 | 1 853 344 |
| 25. Investment revenue | | |
| Interest revenue | | |
| Bank | 7 802 779 | 9 472 244 |
| The amount included in Investment revenue arising from non-exchange transactions amounted to R 7 804 079. | | |
| 26. Interest, dividends and Rent on Land | | |
| Interest - Receivables | 40 391 | 94 501 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|--------------------|--------------------|
| 27. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share | 424 766 000 | 382 571 000 |
| Expanded Public Works Program | 5 908 000 | 5 760 000 |
| Indonsa grant | 1 911 000 | 1 911 000 |
| Financial Management Grant | 1 000 000 | 1 250 000 |
| KZN Environmental grant | 552 951 | 947 049 |
| Shared Service | 300 000 | - |
| | 434 437 951 | 392 439 049 |
| Capital grants | | |
| Rural Bulk Infrastructure Grant | 131 498 000 | 130 000 000 |
| Municipal Infrastructure Grant | 220 762 000 | 229 725 000 |
| Water Infrastructure Grant | 87 828 000 | 107 746 000 |
| Rural Road Asset Management Grant | 2 364 000 | 2 659 000 |
| | 442 452 000 | 470 130 000 |
| | 876 889 951 | 862 569 049 |
| Equitable Share | | |
| Balance unspent at the beginning | | |
| | 424 766 000 | 382 571 000 |
| | (424 766 000) | (382 571 000) |
| | - | - |
| In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. | | |
| KZN Environmental grant | | |
| Balance unspent at beginning of year | 552 951 | 1 500 000 |
| Conditions met - transferred to revenue | (552 951) | (947 049) |
| | - | 552 951 |
| Municipal Infrastructure Grant | | |
| Current-year receipts | 220 762 000 | 229 725 000 |
| Conditions met - transferred to revenue | (220 762 000) | (229 725 000) |
| | - | - |
| Road Asset Management Grant | | |
| Current-year receipts | 2 364 000 | 2 659 000 |
| Conditions met - transferred to revenue | (2 364 000) | (2 659 000) |
| | - | - |
| Rural Bulk Infrastructure Grant | | |
| Current-year receipts | 131 498 000 | 130 000 000 |
| Conditions met - transferred to revenue | (131 498 000) | (130 000 000) |
| | - | - |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|--------------|---------------|
| 27. Government grants and subsidies (continued) | | |
| Water Infrastructure Grant | | |
| Current-year receipts | 87 828 000 | 107 746 000 |
| Conditions met - transferred to revenue | (87 828 000) | (107 746 000) |
| | - | - |
| Financial Management Grant | | |
| Current-year receipts | 1 000 000 | 1 250 000 |
| Conditions met - transferred to revenue | (1 000 000) | (1 250 000) |
| | - | - |
| Expanded Public Works Program | | |
| Current-year receipts | 5 908 000 | 5 760 000 |
| Conditions met - transferred to revenue | (5 908 000) | (5 760 000) |
| | - | - |
| INDONSA | | |
| Current-year receipts | 1 911 000 | 1 911 000 |
| Conditions met - transferred to revenue | (1 911 000) | (1 911 000) |
| | - | - |
| Shared Service | | |
| Current-year receipts | 300 000 | - |
| Conditions met - transferred to revenue | (300 000) | - |
| | - | - |
| 28. Fines, Penalties and Forfeits | | |
| Illegal Connections Fines | 12 167 | 8 873 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|--------------------|--------------------|
| 29. Other revenue from non-exchange | | |
| 30. Employee related costs | | |
| Basic | 124 167 329 | 113 622 971 |
| Bonus | 8 688 792 | 4 776 808 |
| Medical aid - company contributions | 10 557 289 | 10 014 776 |
| UIF | 1 058 789 | 1 016 399 |
| Stand by allowance | 4 725 285 | 1 573 293 |
| Leave pay provision charge | 4 756 104 | 4 276 470 |
| Industrial bargaining council levy | 111 493 | 88 557 |
| Defined contribution plans | 15 751 036 | 14 756 224 |
| Motor car allowances | 6 042 165 | 6 795 990 |
| Overtime payments | 11 429 742 | 9 924 415 |
| Long-service awards | 1 334 876 | 1 499 096 |
| Acting allowances | 1 000 784 | 888 951 |
| Housing benefits and allowances | 1 120 597 | 1 053 780 |
| Cellular phone Allowance | 491 248 | 462 400 |
| Other # 6 | 12 105 | - |
| | 191 247 634 | 170 750 130 |
| Remuneration of Municipal Manager | | |
| Annual Remuneration | 393 149 | 1 089 368 |
| Car Allowance | 88 064 | 333 735 |
| Contributions to UIF, Medical and Pension Funds | 6 513 | 37 317 |
| | 487 726 | 1 460 420 |
| The position for the Municipal Manager was vacant for a period of seven months. | | |
| Remuneration of Chief Financial Officer | | |
| Annual Remuneration | 1 204 066 | 618 657 |
| Car Allowance | 238 750 | 187 383 |
| Contributions to UIF, Medical and Pension Funds | 1 890 | 1 189 |
| | 1 444 706 | 807 229 |
| As part of the total annual remuneration is an acting allowance in the Accounting Officer position for a period of six months in the current financial year. | | |
| Remuneration - Director of Planning | | |
| Annual Remuneration | 1 003 390 | 819 749 |
| Car Allowance | 222 087 | 250 419 |
| Contributions to UIF, Medical and Pension Funds | 39 603 | 20 094 |
| | 1 265 080 | 1 090 262 |
| Remuneration - Director of Technical Service | | |
| Annual Remuneration | 961 567 | 696 146 |
| Car Allowance | 218 325 | 209 545 |
| Contributions to UIF, Medical and Pension Funds | 1 732 | 1 337 |
| | 1 181 624 | 907 028 |
| Remuneration - Director of Corporate services | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|--------------------|--------------------|
| 30. Employee related costs (continued) | | |
| Annual Remuneration | 1 146 667 | 847 696 |
| Car Allowance | 234 108 | 213 310 |
| Contributions to UIF, Medical and Pension Funds | 1 890 | 34 157 |
| | 1 382 665 | 1 095 163 |
| As part of the total annual remuneration is an acting allowance in the Accounting Officer position for a period of one month in the current financial year | | |
| Employee costs - Director of Community services | | |
| Annual Remuneration | 1 059 341 | 801 001 |
| Car Allowance | 238 744 | 250 861 |
| Contributions to UIF, Medical and Pension Funds | 51 654 | 47 655 |
| | 1 349 739 | 1 099 517 |
| Total Employees Related costs | 198 359 174 | 177 209 749 |
| 31. Remuneration of councillors | | |
| Mayor | 900 271 | 850 098 |
| Deputy Mayor | 466 423 | 443 051 |
| Executive Committee Members | 2 817 115 | 2 561 296 |
| Speaker | 738 395 | 725 919 |
| Councillors | 2 966 963 | 3 039 972 |
| Councillors' pension contribution | 199 570 | 94 871 |
| | 8 088 737 | 7 715 207 |
| In-kind benefits | | |
| The Speaker, the Mayor, the Deputy Mayor the and Executive Committee Members are full-time. | | |
| The Speaker, Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties. | | |
| The Speaker, Mayor and Deputy Mayor are provided with bodyguards. | | |
| The Councillors are provided with body guards where request has been approved. | | |
| 32. Depreciation and amortisation | | |
| Property, plant and equipment | 63 356 074 | 57 249 255 |
| Intangible assets | 136 947 | 122 799 |
| | 63 493 021 | 57 372 054 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|--------------------|--------------------|
| 33. Lease rentals on operating lease | | |
| Premises | | |
| Contractual amounts | 413 086 | 130 987 |
| Motor vehicles | | |
| Contractual amounts | 183 817 | 217 497 |
| Equipment | | |
| Contractual amounts | 877 662 | 980 580 |
| | 1 474 565 | 1 329 064 |
| 34. Debt impairment | | |
| Debt impairment | 14 788 995 | 12 185 740 |
| Debt impairment is only calculated on service debtors from exchange transactions | | |
| 35. Collection costs | | |
| Collection costs | 836 804 | 858 484 |
| Collection cost is based on services provided to disconnect, restrictions and reconnections of consumers. | | |
| 36. Bulk purchases | | |
| Electricity - Eskom | 36 272 788 | 34 300 723 |
| Water | 62 928 593 | 97 089 180 |
| | 99 201 381 | 131 389 903 |
| 37. Contracted services | | |
| Outsourced Services | | |
| Burial Services | 110 500 | - |
| Business and Advisory | 1 587 508 | 1 215 235 |
| Catering Services | 3 232 688 | 6 127 279 |
| Cleaning Services | 3 173 354 | 2 743 169 |
| Hygiene Services | 130 800 | 166 660 |
| Internal Auditors | 3 735 782 | 1 521 482 |
| Meter Management | 1 428 250 | - |
| Personnel and Labour | 134 212 | - |
| Security Services | 29 229 948 | 19 310 751 |
| Water Takers | 56 114 035 | 38 106 922 |
| Consultants and Professional Services | | |
| Business and Advisory | 16 693 463 | 17 571 582 |
| Infrastructure and Planning | 15 817 | 9 402 |
| Legal Cost | 2 001 545 | 413 416 |
| Contractors | | |
| Artists and Performers | 674 119 | 1 022 299 |
| Audio-visual Services | 101 226 | 428 100 |
| Maintenance of Equipment | 272 569 | 192 490 |
| Maintenance of Unspecified Assets | 39 825 296 | 62 855 558 |
| Medical Services | 60 000 | 42 500 |
| Sewerage Services | 6 458 467 | 21 782 258 |
| Stage and Sound Crew | 271 500 | 799 050 |
| | 165 251 079 | 174 308 153 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|-------------------|-------------------|
| 38. Grants and subsidies paid | | |
| Other subsidies | | |
| Poverty alleviation | 612 686 | 1 973 539 |
| Tourism contribution | 78 170 | 18 000 |
| KZN Environmental protection | 480 827 | 947 049 |
| | 1 171 683 | 2 938 588 |
| 39. Inventory consumed | | |
| Materials and Supplies | 12 016 154 | 29 846 994 |
| 40. General expenses | | |
| Achievements and awards | 189 500 | 192 500 |
| Advertising | 6 344 960 | 3 365 024 |
| Audit fees | 3 283 768 | 3 059 212 |
| Bank charges | 335 967 | 304 729 |
| Discount allowed | 201 836 | - |
| Entertainment | 325 065 | 358 860 |
| Workmen's compensation | 1 021 973 | 887 900 |
| Honoraria | 130 000 | 119 000 |
| Vehicle tracking | 233 837 | 204 692 |
| Staff Bursary | 191 097 | 5 135 |
| Fuel and oil | 5 237 833 | 5 051 016 |
| Hire Charges (Functions) | 2 088 501 | 2 370 784 |
| External Computer Service | - | 181 018 |
| Insurance | 472 642 | 521 130 |
| Skills development levies | 1 976 255 | 1 708 753 |
| Driver's licenses and permits | 431 780 | 510 929 |
| Communication | 714 | 5 586 |
| Printing and Publication | 632 420 | 807 477 |
| Registration | 97 403 | 51 037 |
| Subscriptions and membership fees | 2 048 074 | 1 730 033 |
| Telephone and fax | 3 788 295 | 2 904 310 |
| Transport and freight | 3 773 625 | 3 678 262 |
| Travel - local | 15 219 206 | 11 746 713 |
| Uniforms | 621 143 | 1 806 694 |
| Utilities - Other | 3 722 772 | 5 179 900 |
| Consultants fees | 5 296 389 | 5 280 225 |
| | 57 665 055 | 52 030 919 |
| 41. Gain on sales of assets | | |
| 42. Loss on donated assets | | |
| Loss on donated assets | - | (3 996 288) |
| Sports field and other computer items were donated as per the approved Council resolutions. | | |
| 43. Proceeds from Insurance claims | | |
| Proceeds from Insurance claims | - | 753 278 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|--------------------|--------------------|
| 44. Inventories losses/write-downs | | |
| Inventories losses/write-downs | - | (1 353 515) |
| 45. Auditors' remuneration | | |
| Fees | 3 283 768 | 3 059 212 |
| 46. Cash generated from operations | | |
| Surplus | 293 073 092 | 245 900 694 |
| Adjustments for: | | |
| Depreciation and amortisation | 63 493 021 | 57 372 054 |
| Loss on sale of assets and liabilities | - | (753 278) |
| Loss on donated assets | - | 3 996 288 |
| Inventories losses/write-downs | - | 1 353 515 |
| Interest income | - | - |
| Debt impairment | 14 788 995 | 12 185 740 |
| Movements in retirement benefit assets and liabilities | 4 712 000 | 3 609 000 |
| Movements in provisions | 1 352 731 | - |
| Changes other receivables from exchange | - | (1 145 548) |
| Changes in working capital: | | |
| Inventories | 623 101 | 1 521 638 |
| Other receivables from exchange transactions | (2 702 593) | (1 624 652) |
| Trade receivable from exchange transaction | (18 565 691) | 12 790 860 |
| Receivables from non-exchange transactions | 485 014 | (1 647 447) |
| Other receivables from non-exchange transactions | 637 906 | (923 750) |
| Payables from exchange transactions | 25 059 289 | 60 806 978 |
| VAT | 6 237 184 | (1 217 099) |
| Payables from non - exchange transactions | (12 287) | (60 538) |
| Unspent conditional grants and receipts | (552 951) | (947 049) |
| Consumer deposits | (9 812) | (54 010) |
| | 388 618 999 | 391 163 396 |
| 47. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 597 167 164 | 461 075 980 |
| • less prior error adjustment retention | - | (43 275 410) |
| | 597 167 164 | 417 800 570 |
| Total capital commitments | | |
| Already contracted for but not provided for | 597 167 164 | 461 075 980 |

The Municipality has entered into various contracts for capital infrastructure projects that are expected to be completed in future. All commitments disclosed are VAT inclusive.

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-----------|------------------|
| 48. Contingencies | | |
| Year - 2019 | | |
| Litigation | | |
| Matter between Zululand District Municipality and M Shandu on dismissal disputes. | | 58 851 |
| Litigation | | |
| Matter between Zululand District Municipality and S Nkosi on dismissal dispute | | 70 000 |
| Litigation | | |
| Matter between Zululand District Municipality and S Nkosi on dismissal dispute | | 200 000 |
| Litigation | | |
| An Applicant is reviewing an award of a tender in a High Court. | | 100 000 |
| Litigation | | |
| The municipality is being sued by plaintiff in respect of a balance for service rendered by the plaintiff for a water supply scheme and tourism hub program. The municipality is defending the matter and has filled plea and claim reconvention. Plaintiff has expected to defendants claim in reconvention. | | 1 866 848 |
| Claim | | |
| Zululand District Municipality is putting a counter claim on the matter in respect of balance for service rendered by the plaintiff for a water supply scheme and tourism mentioned above | | 638 612 |
| Litigation | | |
| Matter between Zululand District Municipality and Health Systems Trust. | | 44 976 |
| | | 2 979 287 |
| Year 2018 | | |
| Litigation | | |
| The Plaintiff is suing the Municipality out of the High Court for a certain amount. The Municipality is defending the matter awaiting for the trial date. | | 1 012 069 |
| Litigation | | |
| The Municipality is being sued by a Plaintiff in respect for a balance due for service rendered by the Plaintiff for a water supply scheme and tourism hub program. The municipality is defending the matter and has filled plea and claim reconvention. Plaintiff has expected to defendants claim in reconvention. | | 1 666 848 |
| Litigation | | |
| The Plaintiff is suing the Municipality out of the Magistrate Court for alleged services rendered. The Municipality is defending the matter and has filed a Notice of Intention to defend and plea in order to dispute this matter. | | 147 808 |
| Litigation | | |
| An Applicant is reviewing an award of a tender in a High Court. | | 120 000 |
| | | 2 946 725 |

49. Risk management

Financial risk management

The Department Financial Services monitors and manages the financial risk relating to the operations through internal policies and procedures. These risks include interest rate and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-------------|-------------|
| 49. Risk management (continued) | | |
| Liquidity risk | | |
| Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputations. | | |
| Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The municipality has agreed to a payment plan with the respective creditor to settle its non-current liabilities. | | |
| Capital risk management | | |
| The capital structure of the municipality consists of accumulated surplus as disclosed in the statement of changes in net assets. | | |
| Gearing ratio | | |
| The gearing ratio is nil since the municipality does not have long term liabilities. | | |
| 50. Going concern | | |
| We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 3 382 169 932 and that the municipality's total assets exceed its liabilities by R 3 382 169 932. | | |
| The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. | | |
| The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality. | | |
| <ul style="list-style-type: none">• The municipality is operating at a net asset position.• There are no fixed term borrowings.• There is no indication of withdrawals of support from creditors.• The Municipality is not operating at an overdraft facility.• The current ratio (CA/CL) is 0,3:1. However included in this calculation is retention of R 54 428 272 which is dependent on the future grant receipts and R 93 145 739 creditors at year-end. This retention does not have to be cash backed. Norm ratio is 2:1.• The municipality has resulted to surplus for the current financial year and there is no significant deterioration in the value of assets used to generate cash flows.• The municipality is still able to pay its creditors as they become due.• National Sphere of Government will continue to allocate equitable share of national revenue and other Division of Revenue Act grants to municipalities.• There is no loss of key Management without replacement.• There is no labour difficulties that will render the Municipality dysfunctional.• All conditional grants requirements are met.• There are no material pending legal claims that may render municipality dysfunctional.• There are no legal changes in law or regulation or government policy that may result in the liquidation of the municipality. | | |
| 51. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government | | |
| Current year subscription / fee | 2 036 248 | 1 693 865 |
| Amount paid - current year | (2 036 248) | (1 693 865) |
| | <u>-</u> | <u>-</u> |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|--------------|--------------|
| 51. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| Audit fees | | |
| Current year subscription / fee | 3 283 768 | 3 059 212 |
| Amount paid - current year | (3 283 768) | (3 059 212) |
| | <u>-</u> | <u>-</u> |
| PAYE and UIF | | |
| Current year subscription / fee | 28 112 131 | 27 166 923 |
| Amount paid - current year | (28 112 131) | (27 166 923) |
| | <u>-</u> | <u>-</u> |
| Pension and Medical Aid Deductions | | |
| Current year subscription / fee | 40 124 604 | 37 965 506 |
| Amount paid - current year | (40 124 604) | (37 965 506) |
| | <u>-</u> | <u>-</u> |

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

| 30 June 2019 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|--------------------|--|--|--------------|
| Councillor (DC217) | <u>1 988</u> | <u>-</u> | <u>1 988</u> |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

52. Budget differences

Material differences between budget and actual amounts

The material difference between approved budget and actual result are the consequence of activities during the financial period. For details on the comparatives please refer to the annual report.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-----------|-----------|
|--|-----------|-----------|

52. Budget differences (continued)

Differences between budget and actual amounts are basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Variance is calculated by subtracting actual expenditure from budget

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | | | | 2019 R | 2018 R |
|---|---------------------|----------------------|--------------------|-----------|--|
| 52. Budget differences (continued) | | | | | |
| Details | Budget | Actual | Variance | % | Comments |
| | - | - | - | - | |
| Services charges | 44 564 882 | 33 512 747 | 11 052 135 | 75 % | |
| Investments revenue | 9 995 800 | 7 802 779 | 2 193 021 | 78 % | This depends on the availability of funds that were not immediately required |
| Transfers recognised | 904 369 476 | 876 889 951 | 27 479 525 | 97 % | |
| Other income | 96 885 423 | 1 718 201 | 95 167 222 | 2 | This is based on the new tender document tariff |
| Employee related costs | (190 099 923) | (200 600 308) | 10 500 385 | 106 % | Excessive overtime claims |
| Remuneration of councillors | (8 222 415) | (8 088 737) | (133 678) | 98 % | |
| Debt impairment | (7 768 939) | (14 788 995) | 7 020 056 | 190 % | Based on the actual debtors at year end |
| Depreciation | (66 402 942) | (63 493 021) | (2 909 921) | 96 % | Based on assets in use, due to delays in projects under work in progress |
| Materials and Bulk purchases | (99 412 414) | (99 201 381) | (211 033) | 100 % | |
| Transfers and grants | (1 502 851) | (1 171 683) | (331 168) | 78 % | Due to increase in poverty alleviation expenditure |
| General expenditure | (224 477 745) | (238 119 782) | 13 642 037 | 106 % | includes a portion of assets not qualifying to be capitalised |
| Capital : Grants | (469 830 000) | (470 130 000) | 300 000 | 100 % | Due to allocation of NDPG outside adjustment budget |
| | (11 901 648) | (175 670 229) | 163 768 581 | | |

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters.
For details refer to annual report.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|--------------------|---|
| 53. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 420 411 | 381 729 |
| Incurred | - | 38 682 |
| Opening balance as restated | 420 411 | 420 411 |
| Less: Amount written off - current | (130 665) | - |
| Closing balance | 289 746 | 420 411 |
| 54. Irregular expenditure | | |
| Opening balance | 307 909 374 | 185 026 191 |
| Add: Irregular Expenditure - current year | 28 390 642 | 122 883 183 |
| Opening balance as restated | 336 300 016 | 307 909 374 |
| Less: Amounts not recoverable (not condoned) | (273 719 400) | - |
| Closing balance | 62 580 616 | 307 909 374 |
| 55. Awards to close family members of person in the service of the state | | |
| | - | 26 625 |
| | - | 254 453 |
| | - | 281 078 |
| 56. Water losses | | |
| Water lost in distribution | 14 348 786 | 10 450 228 |
| Prior year error adjustment | - | 10 932 578 |
| | 14 348 786 | 21 382 806 |
| 57. Report on approved deviation | | |
| | 21 835 177 | 5 156 335 |
| | - | 11 317 155 |
| | 21 835 177 | 16 473 490 |
| 58. Related parties | | |
| Relationships | | |
| Accounting Officer | | Refer to accounting officer's report note |
| Shareholder with significant influence | | None |
| Shareholder with joint control | | None |
| Close family member of key management | | None |
| Joint venture of key management | | None |
| Associate of close family member of key management | | None |
| 59. Events after the reporting date | | |
| No material adjusting or non-adjusting events have been identified after reporting date. | | |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

60. Prior period errors

Statement of Financial Position

| | Note(s) | Audited R | Prior year adjustments R | Reclassifying adjustments R | Restated R |
|--|---------|----------------------|--------------------------------|-----------------------------------|----------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | | 13 201 448 | - | - | 13 201 448 |
| Receivables from exchange transactions | | 13 824 715 | - | - | 13 824 715 |
| Other receivables from exchange transactions | | 1 595 713 | - | - | 1 595 713 |
| Receivables from non-exchange transactions | | 6 264 786 | - | - | 6 264 786 |
| Other receivables from non-exchange transactions | | 1 790 512 | - | - | 1 790 512 |
| VAT receivable | | 20 029 280 | - | - | 20 029 280 |
| Inventories | | 3 132 284 | - | - | 3 132 284 |
| | | 59 838 738 | - | - | 59 838 738 |
| Non-Current Assets | | | | | |
| Other receivables from exchange transactions | | 12 438 779 | - | - | 12 438 779 |
| Property, plant and equipment | | 3 264 069 757 | 1 823 148 | - | 3 265 892 905 |
| Heritage assets | | 1 212 635 | - | - | 1 212 635 |
| Intangible assets | | 171 191 | - | - | 171 191 |
| | | 3 277 892 362 | 1 823 148 | - | 3 279 715 510 |
| Total Assets | | 3 337 731 100 | 1 823 148 | - | 3 339 554 248 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Payables from exchange transactions | | 160 594 711 | (1 638 722) | - | 158 955 989 |
| Consumer deposits | | 3 627 105 | - | - | 3 627 105 |
| Provisions | | 11 800 076 | - | - | 11 800 076 |
| Payables from exchange transactions | | 94 159 | - | - | 94 159 |
| Unspent conditional grants and receipts | | 552 951 | - | - | 552 951 |
| | | 176 669 002 | (1 638 722) | - | 175 030 280 |
| Non-Current Liabilities | | | | | |
| Rental deposits held | | 2 420 | - | - | 2 420 |
| Employee benefit obligation | | 32 512 000 | - | - | 32 512 000 |
| Payables from exchange transactions | | 42 912 708 | - | - | 42 912 708 |
| | | 75 427 128 | - | - | 75 427 128 |
| Total Liabilities | | 252 096 130 | (1 638 722) | - | 250 457 408 |
| Net Assets | | 3 085 634 970 | 3 461 870 | - | 3 089 096 840 |
| Net Assets | | | | | |
| Accumulated surplus | | 3 085 634 981 | 3 461 870 | - | 3 089 096 851 |

60.1 Property, plant and equipment

| | |
|-----------------------------|----------------------|
| Balance previously reported | 3 264 069 757 |
| Revaluation | 1 823 148 |
| | 3 265 892 905 |

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

60. Prior period errors (continued)

60.2 Payables from exchange transactions

| | |
|-----------------------------|--------------------|
| Balance previously reported | 160 594 711 |
| Adjustment - Retention | (1 638 722) |
| | <hr/> |
| | 158 955 989 |

Retention correction was done to reduce the asset in line with the reduction in the retention provision amount.

Zululand District Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

60. Prior period errors (continued)

Statement of Financial Performance

| | Audited | Prior year | Reclassifying | Restated |
|---|----------------------|-------------|---------------|----------------------|
| Note(s) | R | adjustments | adjustments | R |
| | | R | R | |
| Revenue | | | | |
| Revenue from exchange transactions | | | | |
| Service charges | 27 148 111 | - | - | 27 148 111 |
| Rental of facilities and equipment | 144 952 | - | - | 144 952 |
| Other income | 1 853 344 | - | - | 1 853 344 |
| Investment revenue | 9 472 244 | - | - | 9 472 244 |
| Total revenue from exchange transactions | 38 618 651 | - | - | 38 618 651 |
| Revenue from non-exchange transactions | | | | |
| Taxation revenue | | | | |
| Interest, Dividends and Rent on Land | 94 501 | - | - | 94 501 |
| Transfer revenue | | | | |
| Government grants & subsidies | 862 569 049 | - | - | 862 569 049 |
| Fines, Penalties and Forfeits | 8 873 | - | - | 8 873 |
| Total revenue from non-exchange transactions | 862 672 423 | - | - | 862 672 423 |
| Total revenue | 901 291 074 | - | - | 901 291 074 |
| Expenditure | | | | |
| Employee related costs | (177 209 749) | - | - | (177 209 749) |
| Remuneration of councillors | (7 715 207) | - | - | (7 715 207) |
| Employee benefits | (3 609 000) | - | - | (3 609 000) |
| Lease rentals on operating lease | (1 329 064) | - | - | (1 329 064) |
| Depreciation and amortisation | (57 372 054) | - | - | (57 372 054) |
| Debt impairment | (12 185 740) | - | - | (12 185 740) |
| Collection costs | (858 484) | - | - | (858 484) |
| Sale of goods/Inventory | (29 846 994) | - | - | (29 846 994) |
| Bulk purchases | (131 389 903) | - | - | (131 389 903) |
| Contracted services | (174 308 153) | - | - | (174 308 153) |
| Transfers and subsidies | (2 938 588) | - | - | (2 938 588) |
| General Expenses | (52 030 919) | - | - | (52 030 919) |
| Total expenditure | (650 793 855) | - | - | (650 793 855) |
| Operating surplus | 250 497 219 | - | - | 250 497 219 |
| Loss on donated assets | (3 996 288) | - | - | (3 996 288) |
| Proceeds from Insurance claims | 753 278 | - | - | 753 278 |
| Inventories (losses/write-downs)/ reversal of write downs | (1 353 515) | - | - | (1 353 515) |
| | (4 596 525) | - | - | (4 596 525) |
| Surplus for the year | 245 900 694 | - | - | 245 900 694 |

Zululand District Municipality
Zululand District Municipality
Appendix B

June 2019

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|--|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|-------------------------|----------------------------|---------------------------|
| Heritage assets | | | | | | | | | | | | | | |
| Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Specialised vehicles | | | | | | | | | | | | | | |
| Refuse | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fire | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conservancy | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ambulances | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | | | | | | | | | | | | | | |
| General vehicles | 41 292 214 | - | - | - | - | - | 41 292 214 | (29 164 101) | - | - | (3 702 296) | - | (32 866 397) | 8 425 817 |
| Plant & equipment | 5 226 228 | - | - | - | - | - | 5 226 228 | (2 769 517) | - | - | (408 359) | - | (3 177 876) | 2 048 352 |
| Computer Equipment | 4 590 253 | 504 552 | - | - | - | - | 5 094 805 | (3 443 760) | - | - | (573 946) | - | (4 017 706) | 1 077 099 |
| Computer Software (part of computer equipment) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Furniture & Fittings | 1 955 826 | 29 143 | - | - | - | - | 1 984 969 | (1 032 114) | - | - | (257 329) | - | (1 289 443) | 695 526 |
| Office Equipment | 2 466 184 | - | - | - | - | - | 2 466 184 | (2 126 038) | - | - | (144 815) | - | (2 270 853) | 195 331 |
| Office Equipment - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Abattoirs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other equipment | 256 419 | 72 000 | - | - | - | - | 328 419 | (110 568) | - | - | (65 284) | - | (175 852) | 152 567 |
| Airports | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security measures | 139 475 | - | - | - | - | - | 139 475 | (138 332) | - | - | (1 143) | - | (139 475) | - |
| Civic land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other land | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bins and Containers | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 30 245 | - | - | - | - | - | 30 245 | (4 654) | - | - | (2 523) | - | (7 177) | 23 068 |
| Other Assets - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Surplus Assets - (Investment or Inventory) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing development | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 52 945 | - | - | - | - | - | 52 945 | (27 449) | - | - | (2 608) | - | (30 057) | 22 888 |
| | 56 009 789 | 605 695 | - | - | - | - | 56 615 484 | (38 816 533) | - | - | (5 158 303) | - | (43 974 836) | 12 640 648 |

June 2019

| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
|----------------------|----------------|----------------|----------------|-------------------|-------------------------------|----------------------|----------------------|----------------|----------------|-------------------|----------------------|----------------------|---------------------|
| 45 915 591 | - | - | - | - | - | 45 915 591 | (13 548 683) | - | - | (1 258 705) | - | (14 807 388) | 31 108 203 |
| 2 152 584 588 | 5 410 | - | - | - | - | 2 152 589 998 | (332 998 486) | - | - | (49 238 638) | - | (382 237 124) | 1 770 352 874 |
| 14 933 380 | - | - | (4 965 844) | - | - | 9 967 536 | (3 894 807) | 1 320 009 | - | (363 551) | - | (2 938 349) | 7 029 187 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 56 009 789 | 605 695 | - | - | - | - | 56 615 484 | (38 816 533) | - | - | (5 158 303) | - | (43 974 836) | 12 640 648 |
| 2 269 443 348 | 611 105 | - | (4 965 844) | - | - | 2 265 088 609 | (389 258 509) | 1 320 009 | - | (56 019 197) | - | (443 957 697) | 1 821 130 912 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 887 713 | - | - | - | - | - | 887 713 | (593 723) | - | - | (146 169) | - | (739 892) | 147 821 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 887 713 | - | - | - | - | - | 887 713 | (593 723) | - | - | (146 169) | - | (739 892) | 147 821 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 45 915 591 | - | - | - | - | - | 45 915 591 | (13 548 683) | - | - | (1 258 705) | - | (14 807 388) | 31 108 203 |
| 2 152 584 588 | 5 410 | - | - | - | - | 2 152 589 998 | (332 998 486) | - | - | (49 238 638) | - | (382 237 124) | 1 770 352 874 |
| 14 933 380 | - | - | (4 965 844) | - | - | 9 967 536 | (3 894 807) | 1 320 009 | - | (363 551) | - | (2 938 349) | 7 029 187 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 56 009 789 | 605 695 | - | - | - | - | 56 615 484 | (38 816 533) | - | - | (5 158 303) | - | (43 974 836) | 12 640 648 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 887 713 | - | - | - | - | - | 887 713 | (593 723) | - | - | (146 169) | - | (739 892) | 147 821 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2 270 331 061 | 611 105 | - | (4 965 844) | - | - | 2 265 976 322 | (389 852 232) | 1 320 009 | - | (56 165 366) | - | (444 697 589) | 1 821 278 733 |

**Zululand District Municipality
Zululand District Municipality
Appendix B**

| Analysis of property, plant and equipment as at 30 June 2011 | |
|--|--------------------------|
| Cost/Revaluation | Accumulated depreciation |

[illegible]

June 2019

[illegible]

June 2019

[illegible]

Zululand District Municipality

Appendix C

June 2019

Segmental analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation

Accumulated Depreciation

| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
|--|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------------|---------------------------|
| Municipality | | | | | | | | | | | | | | |
| Executive & Council/Mayor and Council | - | - | - | - | - | - | - | - | - | - | (204) | - | 2 071 | 2 071 |
| Finance & Admin/Finance | - | - | - | - | - | - | 1 425 | - | - | - | (3 238) | - | (3 539) | (2 114) |
| Planning and Development/Economic Development/Plan | - | - | - | - | - | - | - | - | - | - | (118) | - | 389 | 389 |
| Health/Clinics | - | - | - | - | - | - | (729) | - | - | - | (133) | - | (130) | (859) |
| Comm. & Social/Libraries and archives | - | - | - | - | - | - | - | - | - | - | (78) | - | 44 | 44 |
| Housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Public Safety/Police | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sport and Recreation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Environmental Protection/Pollution Control | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Waste Water Management/Sewerage | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Road Transport/Roads | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Water/Water Distribution | - | - | - | (664 048) | - | 14 | 37 790 | - | - | - | (58 871) | - | (60 180) | (22 390) |
| Electricity /Electricity Distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other/Air Transport | - | - | - | - | - | - | - | - | - | - | (714) | - | (673) | (673) |
| | - | - | - | (664 048) | - | 14 | 38 486 | - | - | - | (63 356) | - | (62 018) | (23 532) |
| Municipal Owned Entities | | | | | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | | | | | |
| Municipality | - | - | - | (664 048) | - | 14 | 38 486 | - | - | - | (63 356) | - | (62 018) | (23 532) |
| Municipal Owned Entities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

Segmental analysis of property, plant and equipment as at 30 June 2018

Cost/Revaluation

Accumulated Depreciation

| Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
|----------------------------|-------------------|-------------------|-------------------|----------------------|-------------------------------------|----------------------------|----------------------------|-------------------|-------------------|----------------------|----------------------------|----------------------------|---------------------------|
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | (664 048) | - | 14 | 38 486 | - | - | - | (63 356) | - | (62 018) | (23 532) |

June 2019

| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
|-----------------------------------|--|--|--|-----------------------------------|--|--|
| Municipality | | | | | | |
| 567 946 | 50 097 202 | (49 529 256) | Executive & Council/Mayor and Council | - | 48 473 955 | (48 473 955) |
| 395 522 493 | 127 470 771 | 268 051 722 | Finance & Admin/Finance | 435 230 867 | 142 231 695 | 292 999 172 |
| 2 659 000 | 22 864 019 | (20 205 019) | Planning and Development/Economic Development/Plan | 3 216 951 | 23 906 064 | (20 689 113) |
| - | 9 639 445 | (9 639 445) | Health/Clinics | - | 10 644 888 | (10 644 888) |
| 1 040 190 | 6 005 285 | (4 965 095) | Comm. & Social/Libraries and archives | 1 911 000 | 5 793 827 | (3 882 827) |
| - | - | - | Housing | - | - | - |
| - | - | - | Public Safety/Police | - | - | - |
| - | - | - | Sport and Recreation | - | - | - |
| - | - | - | Environmental Protection/Pollution Control | - | - | - |
| 8 600 242 | 8 710 524 | (110 282) | Waste Water Management/Sewerage | 10 478 889 | 4 951 795 | 5 527 094 |
| - | - | - | Road Transport/Roads | - | - | - |
| 488 304 679 | 380 170 201 | 108 134 478 | Water/Water Distribution | 469 294 031 | 345 979 157 | 123 314 874 |
| - | 34 116 020 | (34 116 020) | Electricity /Electricity Distribution | - | 36 272 789 | (36 272 789) |
| - | 11 720 397 | (11 720 397) | Other/Air Transport | - | 8 540 664 | (8 540 664) |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| - | - | - | | - | - | - |
| 896 694 550 | 650 793 864 | 245 900 686 | | 920 131 738 | 626 794 834 | 293 336 904 |

Zululand District Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2019

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed / withheld | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for noncompliance |
|---|--|--------------------|--------|--------|--------|-----------------------|-----|--------|--------|--------|---|-----|-----|-----|-----|---------------------------------------|--|--------------------------|
| | | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | Jun | Sep | Dec | Mar | Jun | | |
| Equitable Share | National Treasury | - | 06 000 | 23 000 | 42 000 | - | - | 42 750 | 42 750 | 42 750 | 42 750 | - | - | - | - | - | Yes | |
| Financial Management Expanded Public Works Programme | National Treasury Dept of Public Works | - | 50 000 | - | - | - | - | 67 760 | 19 644 | 43 523 | 19 072 | - | - | - | - | - | Yes | |
| Indonsa Grant | Art & Culture | - | 40 000 | 92 000 | 28 000 | - | - | 00 466 | 58 574 | 87 945 | 13 015 | - | - | - | - | - | Yes | |
| Municipal Infrastructure Grant | COGTA | - | 55 500 | - | 55 500 | - | - | 70 794 | 40 206 | - | - | - | - | - | - | - | Yes | |
| Regional Bulk Infrastructure Grant (Schedule 5B) | DWS | - | 00 000 | 00 000 | 49 725 | - | - | 03 841 | 60 002 | 74 928 | 86 229 | - | - | - | - | - | Yes | |
| Water Services Infrastructure Grant (Schedule 5B) | DWS | - | 00 000 | 00 000 | 00 000 | - | - | 98 801 | 12 042 | 50 620 | 38 537 | - | - | - | - | - | Yes | |
| Rural Road Assets Management Systems Grant | COGTA | - | 73 000 | 24 000 | 49 000 | - | - | 48 788 | 50 141 | 84 769 | 62 304 | - | - | - | - | - | Yes | |
| Environmental Management Framework & Strategic Environmental Assessment | COGTA | - | 51 000 | - | 08 000 | - | - | 47 640 | 50 172 | 85 207 | 75 924 | - | - | - | - | - | Yes | |
| | Environmental Development | 00 000 | - | - | - | - | - | - | - | - | 47 049 | - | - | - | - | - | Yes | |
| | | 00 000 | 75 500 | 39 000 | 32 225 | - | - | 80 840 | 33 531 | 69 742 | 84 880 | - | - | - | - | - | | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.